

RIT Distributions—Interest Allocations



Allocations of RIT interest earnings are not restricted by the constitution. The legislature has chosen to directly and indirectly allocate interest for a number of purposes.

Direct Allocations: 15-38-202 MCA directs where the interest from the RIT is allocated, now and in the future. Direct allocations are made to a number of accounts. The table below represents the allocations of RIT interest earnings for the 2007 biennium. Allocations to the environmental contingency account, oil & gas production mitigation account and the water storage account are made at the beginning of the biennium. The other allocations are made at the beginning of each fiscal year; the figure in the table below represents the total of both years.

Indirect Allocations: After direct interest allocations are made, 15-38-202 MCA directs the remaining interest on a formula basis. Fiscal year 2007 the formula provided: 30 percent to the renewable resources grant and loan account, 35 percent to the reclamation and development grant program account, 26 percent to the hazardous waste/CERCLA account and 9 percent to the environmental quality protection fund.



Fund Descriptions

A RIT fund is defined as a fund receiving RIT interest or RIGWA taxes

- Ground water assessment account - funds for groundwater monitoring and characterization studies
- Reclamation and Development Grant Program - provides grants to repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction.
- Orphan Share Account - used to fund the percent of remediation activities at a contaminated site that are attributable to a bankrupt or otherwise insolvent entity.
- Hazardous Waste/CERCLA - funds for the implementation of the Montana Hazardous Waste Act and state expenses for overseeing the federal Comprehensive Environmental Response, Compensation and Liability Act.

- Environmental Quality Protection Fund - utilized to identify, investigate, negotiate and prosecute individuals/entities to achieve remedial action or recover costs and damages.
- Environmental Contingency Account -an account controlled by the Governor for the purpose of responding to emergent or imminent threats to the environment.
- Future Fisheries - use of funds to reclaim habitat and spawning areas of the bull and cutthroat trout.
- Oil & Gas Production Mitigation Account - funds for properly plugging a well and either reclaiming or restoring, or both, a drill site or other drilling or producing area damaged by oil and gas operations.
- Renewable Resource Grant and Loan Program - provides grants and loans to enhance Montana's renewable resources through projects that measurably conserve, develop, manage or preserve resources.
- Water Storage Account - repair and maintenance of state owned water facilities.



Tax Descriptions

- Resource Indemnity and Ground Water Assessment (RIGWA) - taxes paid by person(s) who engages in or carries on the business of mining, extracting, or producing a mineral from any quartz vein or lode, placer claim, dump or tailings, or other place or source.
- Oil and Gas Taxes - taxes on the production of oil and gas.

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Resource Indemnity Trust

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Fiscal Pocket Guide



"The state constitution requires a trust, but does not require the trust to be funded..."



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Resource Indemnity Trust (RIT) - Enabling Act



Article IX of the Montana Constitution provides for the protection and improvement of the Montana environment and request the legislature to provide adequate remedies for environmental protection from degradation. It specifically requires “all lands disturbed by the taking of natural resources shall be reclaimed”, and requires the existence of a resource indemnity trust (RIT) fund for that purpose, to be funded by taxes on the extraction of natural resources.

The Constitution further states, “The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000) guaranteed by the state against loss or diversion.”

The state constitution requires a trust, but does not require the trust to be funded. The legislature utilized certain natural resource extraction tax proceeds as a revenue source for the trust. In February of 2002, the Governor certified that the balance of the trust had exceeded the \$100 million threshold. Consequently, the trust no longer receives revenue and those tax proceeds previously directed to the RIT were re-directed by the 2003 and 2005 legislatures.

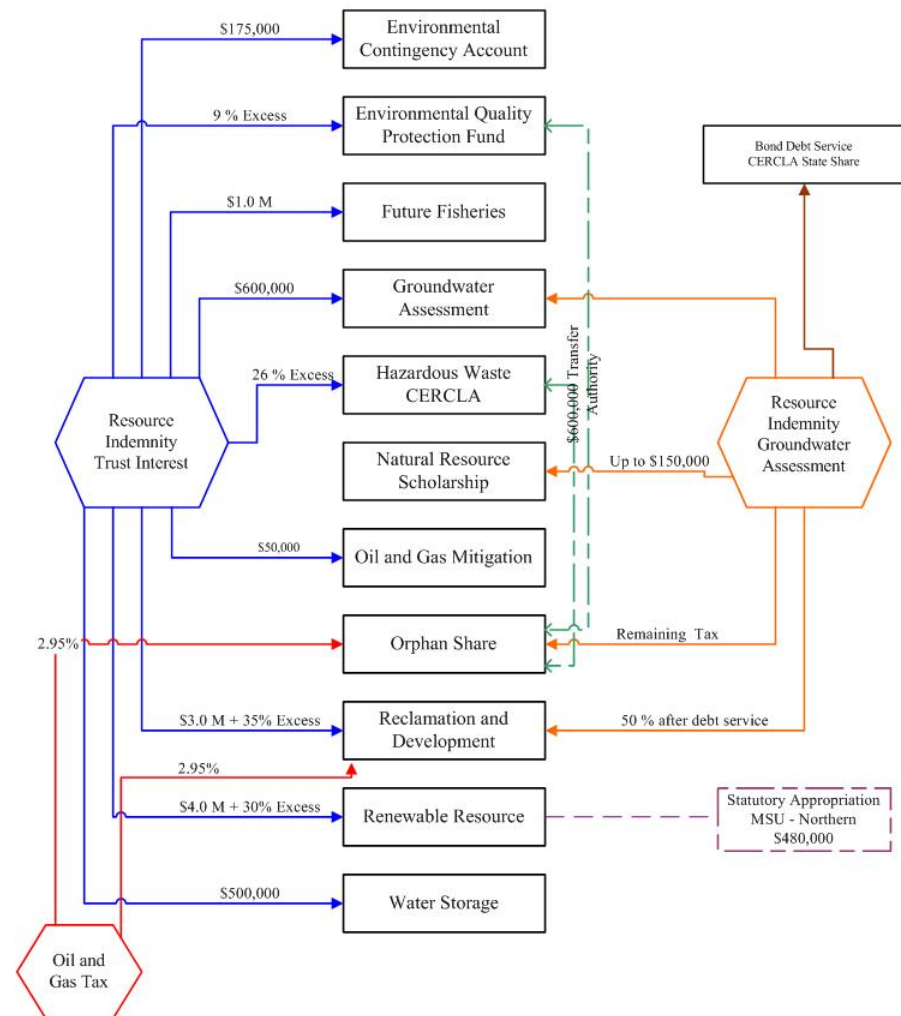
The 2005 Legislature approved HJR36 directing the Legislative Finance Committee to study RIT issues. This work resulted in establishing options to streamline RIT funding and address cash flow issues.

RIT Distributions—Tax Proceeds

The legislature provides for statutory allocation of the resource indemnity and ground water assessment (RIGWA) and applicable portions of the oil & gas tax that originally funded the RIT. The RIGWA and the application portion of the oil & gas tax are now distributed to a number of natural resource accounts.

RIGWA -The proceeds are first deposited to the Comprehensive Environmental Rehabilitation Liability Account (CERLA) Bond Debt Service fund. For fiscal years 2008 and 2009, the estimated amounts are \$297,532 and \$518,196.

Biennial Distributions of the Resource Indemnity Trust Interest and the Resource Indemnity Groundwater Assessment 2007 Biennium



The second deposit is to the ground water assessment account for \$366,000 annually. The remaining funds are distributed as follows: 50 percent to the orphan share fund and the remainder into the reclamation and development fund.

Applicable portion of the oil and gas taxes - The disbursements to RIT related funds include 2.95 percent to the reclamation and development grant program account, and 2.95 percent to the orphan share account.

During the 2005 session, concern about the solvency of two RIT accounts, hazardous waste/ CERCLA and the environmental quality protection fund, was raised. Legislation was passed to provide the ability to transfer up to \$600,000 from the orphan share account to prevent a negative balance in either account during the 2007 biennium. If this transfer occurs, the hazardous waste/ CERCLA and environmental quality protection funds must reimburse the orphan share account when funds become available.